

Message Text

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PAGE 01 BONN 02398 01 OF 02 111736Z

44

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

CAB-02 COME-00 DOTE-00 EB-07 FAA-00 LAB-04 SIL-01

IO-11 ACDA-05 OMB-01 TRSE-00 /090 W

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R 111725Z FEB 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6412

INFO AMEMBASSY ANKARA

USMISSION USBERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMCONSUL ISTANBUL

C O N F I D E N T I A L SECTION 01 OF 02 BONN 02398

E.O. 11652: GDS

TAGS: EAIR, WB, UK, FR, TU, US

SUBJECT: WEST BERLIN TURKISH WORKER FLIGHTS

REF: A. STATE 28614 B. BONN 1778 C. USBERLIN 234

1. SUMMARY: PAA/BERLIN WANTS TO BE CERTAIN A SUBSIDY AND TURKISH LANDING RIGHTS WILL BE AVAILABLE BEFORE TABLING AN APPLICATION FOR A SCHEDULED TURKISH SERVICE. MOREOVER, PAA HAS BEEN OFFERED AN OPPORTUNITY TO ACQUIRE THE BULK OF THE EXISTING WEST BERLIN TURKISH WORKER CHARTER MARKET BY ONE OF THE LEADING AGENTS IN THE BUSINESS. PAA REPS HAVE TOLD US THEY WILL CHOOSE THE ARRANGEMENT OFFERING THE BEST YIELD AFTER EVALUATING BOTH ALTERNATIVES. AT PAA'S REQUEST WE HAVE NOT INFORMED THE OTHER CAA'S OF THE SCHEDULED SERVICE PROPOSAL. WE BELIEVE, IF AT THIS POINT PAA CHOOSES AN ARRANGEMENT NOT COMPETITIVE WITH THY'S SCHOENEFELD SERVICE, THE SENAT/FRG RESPONSE COULD BE STRONGLY NEGATIVE. END SUMMARY.

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PAGE 02 BONN 02398 01 OF 02 111736Z

2. PAA EXECUTIVE GALLAGHER TOLD US ON FEBRUARY 9, THAT IN THE ABSENCE OF ANY NEW WORD FROM THE BERLIN SENAT ON A SUBSIDY, HE WOULD NOT WANT US TO RAISE PAA'S TURKISH SCHEDULED SERVICE PROPOSAL IN THE CAA FORUM. FROM PAA'S PERSPECTIVE, IT WOULD BE BEST TO WAIT UNTIL THE AIRLINE HAD FAIRLY FIRM CONFIRMATION THAT A SENAT REVENUE GUARANTEE AND GOT LANDING AUTHORITY WOULD BE AVAILABLE BEFORE PROCEEDING WITH THE OTHER CAA'S. IN GALLAGHER'S VIEW, PREMATURE DISCLOSURE, PARTICULARLY TO THE BRITISH CAA (WHO IN TURN COULD BE EXPECTED TO INFORM INTERESTED BRITISH CARRIERS), COULD INDUCE DAN AIR AND LAKER TO TAKE COUNTER MOVES IN ORDER TO SECURE THEMSELVES A SHARE OF THE MARKET.

3. GALLAGHER ALSO FEARED THAT IF THE PROPOSAL FOR A SCHEDULED SERVICE WAS MADE PUBLIC THROUGH BRITISH SOURCES, PAA MIGHT FIND ITSELF IN AN AWKWARD POSITION, IF FOR SOME REASON IT EVENTUALLY HAD TO BACK DOWN. MOREOVER, HE REPORTED THAT WEST BERLIN'S LEADING TURKISH TRAVEL AGENT -- RESPONSIBLE FOR 80 PERCENT OF THE MARKET -- HAD APPROACHED HIM SEVERAL DAYS AGO ASKING FOR A BID, WHICH IF SUCCESSFUL WOULD GIVE PAA THE OVERWHELMING SHARE OF TURKISH CHARTER BUSINESS PRESENTLY DEPARTING TEGEL. GALLAGHER WENT ON TO SAY THAT HE FOUND THE TRAVEL AGENT'S OFFER INTERESTING, AND WOULD EVALUATE ITS REVENUE POTENTIAL CAREFULLY BEFORE REACHING A FINAL DECISION ON THE SCHEDULED SERVICE.

4. WE TOLD HIM WE WOULD NOT TABLE THE PROPOSAL IN THE CAA FORUM OVER HIS OBJECTIONS. IT SEEMED TO US, HOWEVER, THAT IT WAS ONLY A MATTER OF TIME BEFORE PAA'S APPROACH TO THE SENAT LEAKED TO THE PRESS, AND WE THOUGHT IT ILL-ADVISED TO HAVE THE NEWS BREAK BEFORE WE HAD INFORMED THE OTHER CAA'S. IN ADDITION, WE DID NOT THINK THAT THE QUESTIONS OF A REVENUE GUARANTEE AND TURKISH LANDING RIGHTS -- INVOLVING THE WORKING OUT OF AN ARRANGEMENT WITH THY -- COULD BE SETTLED NEARLY AS QUICKLY AS GALLAGHER SEEMED TO THINK. IN FACT, WE ENVISAGED SOME MONTHS DELAY BEFORE A SCHEDULED SERVICE COULD BE INTRODUCED AND FULLY EXPECTED PAA TO PURSUE

CONFIDENTIAL

PAGE 03 BONN 02398 01 OF 02 111736Z

WHATEVER CHARTER BUSINESS IT COULD IN THE INTERIM. THESE FACTORS, IN OUR VIEW, ARGUED FOR EARLY DISCLOSURE IN THE CAA FORUM SO AS TO GIVE US AMPLE TIME TO WORK OUT THE MANY PROBLEMS SURROUNDING THIS ISSUE. WE OF COURSE RECOGNIZED THAT THERE WAS SOME RISK INVOLVED IN ATTRACTING ATTENTION TO THE PROPOSAL BEFORE IT WAS CLEAR WHETHER A SCHEDULED SERVICE COULD BE INTRODUCED. WE BELIEVED, HOWEVER, THAT PUBLIC AIRING OF THE SITUATION

WAS INEVITABLE, AND THAT A STRAIGHTFORWARD APPROACH WAS THE BEST TACTIC WE COULD PURSUE. WE ALSO REMINDED GALLAGHER THAT ANY CHARTER ARRANGEMENT WHICH WAS NOT COMPETITIVE WITH THY'S SCHEDULED SERVICE FROM SCHOENE-FELD, WOULD OFFER ONLY A SHORT-TERM SOLUTION, SINCE MAINTENANCE OF PRESENT PRICE LEVELS TO THE PASSENGER WOULD RESULT IN THE CONTINUED SIPHONING OFF OF BUSINESS

CONFIDENTIAL

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PAGE 01 BONN 02398 02 OF 02 111735Z

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 02398

TO EAST BERLIN. GALLAGHER SAID HE RECOGNIZED THAT, BUT BELIEVED HIS DECISION HAD TO REST SOLELY ON WHICH APPROACH WOULD YIELD PAA MORE REVENUE.

5. COMMENT: BECAUSE OF GALLAGHER'S REQUEST, WE DID NOT REPEAT NOT RAISE PAA'S TURKISH PROPOSAL AT THE REGULARLY SCHEDULED CAA MEETING ON FEB. 9. FOR THE REASONS CITED IN PARA 2 ABOVE, WE CONTINUE TO BELIEVE THAT EARLY CAA

DISCUSSIONS ON THE POSSIBILITY OF A SCHEDULED SERVICE TO TURKEY WOULD BE OUR BEST APPROACH. ALTHOUGH UNDERSTANDABLE, WE THINK PAA'S DESIRE TO SETTLE ALL OUTSTANDING ISSUES ON A SCHEDULED SERVICE WITHOUT ATTRACTING THE ATTENTION OF THE WEST BERLIN PUBLIC (AND PAA'S COMPETITORS) IS UNREALISTIC. SIMILARLY, PAA'S DESIRE TO EXPLOIT WHAT APPEARS TO BE AN UNEXPECTED OPPORTUNITY TO GAIN A DOMINANT SHARE OF THE EXISTING CHARTER MARKET COULD, IN A VERY SHORT TIME, PRESENT US WITH A TROUBLE-CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 02398 02 OF 02 111735Z

SOME POLITICAL SITUATION UNLESS THE AGENT AND PAA WORKED OUT A RETAIL CHARTER PRICE THAT COULD COMPETE WITH THY. INDEED, HAVING ALREADY PROPOSED TO THE SENAT ONE POSSIBLE SOLUTION TO THE TURKISH WORKER PROBLEM, PAA'S SETTling FOR A GREATER SHARE OF THE EXISTING CHARTER MARKET BEFORE A GERMAN DECISION ON A SUBSIDY IS REACHED WOULD ATTRACT A LESS THAN FAVORABLE RESPONSE FROM WEST BERLIN AND FRG QUARTERS. WE THINK IT IMPORTANT THAT PAA'S NEXT MOVE TAKES THIS FACTOR INTO ACCOUNT AND WILL STRESS THIS IN OUR DISCUSSIONS WITH RUNNETTE AND GALLAGHER. ACTION REQUESTED: DEPARTMENT MAY WISH TO MAKE THE SAME POINT TO PAA REPS WHEN AN APPROPRIATE OPPORTUNITY ARISES. CROWLEY

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